

TOWNSHIP OF POSEN
Presque Isle County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Posen	County Presque Isle
Fiscal Year End March 31, 2008	Opinion Date July 21, 2008	Date Audit Report Submitted to State July 25, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

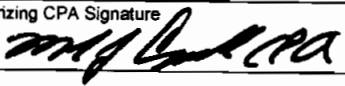
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

TOWNSHIP OF POSEN
Presque Isle County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 21, 2008

To the Township Board
Township of Posen
Presque Isle County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Posen, Presque Isle County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Posen's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Posen, Presque Isle County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF POSEN
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Posen covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$109,786.27 from governmental activities with a \$11,050.46 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund and Debt Service Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$91,816.01.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$10,000.00 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

TOWNSHIP OF POSEN
Presque Isle County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	191 718
Capital Assets	<u>104 899</u>
Total Assets	<u>296 617</u>
Current Liabilities	811
Non-current Liabilities	<u>45 000</u>
Total Liabilities	<u>45 811</u>
Net Assets:	
Invested in Capital Assets	59 899
Unrestricted	<u>190 907</u>
Total Net Assets	<u><u>250 806</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	25 426
General Revenues:	
Property Taxes	32 913
State Revenue Sharing	48 088
Interest	1 688
Miscellaneous	<u>1 671</u>
Total Revenues	<u>109 786</u>
Program Expenses:	
Legislative	7 307
General Government	68 682
Public Safety	16 457
Public Works	3 505
Recreation and Culture	35
Interest on Long-Term Debt	<u>2 750</u>
Total Expenses	<u>98 736</u>
Increase in Net Assets	11 050
Net Assets, April 1	<u>239 756</u>
Net Assets, March 31	<u><u>250 806</u></u>

TOWNSHIP OF POSEN
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor at 10813 Michigan Ave., Posen, MI 49776 or by phone at (989)766-2816.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	187 982 99
Taxes receivable	<u>3 734 64</u>
Total Current Assets	<u>191 717 63</u>
NON-CURRENT ASSETS:	
Capital Assets	206 047 00
Less: Accumulated Depreciation	<u>(101 147 72)</u>
Total Non-current Assets	<u>104 899 28</u>
TOTAL ASSETS	<u><u>296 616 91</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>810 65</u>
Total Current Liabilities	<u>810 65</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>45 000 00</u>
Total Non-current Liabilities	<u>45 000 00</u>
Total Liabilities	<u>45 810 65</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	59 899 28
Unrestricted	<u>190 906 98</u>
Total Net Assets	<u>250 806 26</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>296 616 91</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	7 307 41	-	(7 307 41)
General government	68 682 05	25 426 27	(43 255 78)
Public safety	16 456 45	-	(16 456 45)
Public works	3 504 90	-	(3 504 90)
Culture and recreation	35 00	-	(35 00)
Interest on long-term debt	2 750 00	-	(2 750 00)
Total Governmental Activities	<u>98 735 81</u>	<u>25 426 27</u>	<u>(73 309 54)</u>
General Revenues:			
Property taxes			32 913 06
State revenue sharing			48 087 56
Interest			1 687 87
Miscellaneous			<u>1 671 51</u>
Total General Revenues			<u>84 360 00</u>
Change in net assets			11 050 46
Net assets, beginning of year			<u>239 755 80</u>
Net Assets, End of Year			<u>250 806 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	173 785 55	8 936 86	182 722 41
Taxes receivable	2 638 08	1 096 56	3 734 64
Due from other funds	<u>5 260 58</u>	<u>-</u>	<u>5 260 58</u>
Total Assets	<u><u>181 684 21</u></u>	<u><u>10 033 42</u></u>	<u><u>191 717 63</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>810 65</u>	<u>-</u>	<u>810 65</u>
Total liabilities	<u>810 65</u>	<u>-</u>	<u>810 65</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>180 873 56</u>	<u>10 033 42</u>	<u>190 906 98</u>
Total fund equity	<u>180 873 56</u>	<u>10 033 42</u>	<u>190 906 98</u>
Total Liabilities and Fund Equity	<u><u>181 684 21</u></u>	<u><u>10 033 42</u></u>	<u><u>191 717 63</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	190 906 98
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	206 047 00
Accumulated depreciation	(101 147 72)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(45 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>250 806 26</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Property taxes	21 943 01	10 970 05	32 913 06
State revenue sharing	48 087 56	-	48 087 56
Charges for services – PTAF	5 601 27	-	5 601 27
Interest	1 538 42	149 45	1 687 87
Rents	19 825 00	-	19 825 00
Miscellaneous	1 671 51	-	1 671 51
Total revenues	<u>98 666 77</u>	<u>11 119 50</u>	<u>109 786 27</u>
Expenditures:			
Legislative:			
Township Board	7 307 41	-	7 307 41
General government:			
Supervisor	4 665 84	-	4 665 84
Elections	1 261 13	-	1 261 13
Assessor	3 466 76	-	3 466 76
Clerk	5 278 80	-	5 278 80
Board of Review	1 573 00	-	1 573 00
Treasurer	5 453 04	-	5 453 04
Building and grounds	34 293 69	-	34 293 69
Unallocated	8 519 99	-	8 519 99
Public safety:			
Fire protection	16 456 45	-	16 456 45
Public works:			
Highways and streets	2 000 00	-	2 000 00
Street lights	1 504 90	-	1 504 90
Culture and recreation:			
Recreation	35 00	-	35 00
Debt Service	-	12 750 00	12 750 00
Total expenditures	<u>91 816 01</u>	<u>12 750 00</u>	<u>104 566 01</u>
Excess (deficiency) of revenues over expenditures	6 850 76	(1 630 50)	5 220 26
Fund balances, April 1	<u>174 022 80</u>	<u>11 663 92</u>	<u>185 686 72</u>
Fund Balances, March 31	<u><u>180 873 56</u></u>	<u><u>10 033 42</u></u>	<u><u>190 906 98</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	5 220 26
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(4 169 80)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>10 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>11 050 46</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Posen, Presque Isle County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Posen. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Debt Service Fund

This fund is used to account for debt service payments on long-term debt.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.5000 mills, and the taxable value was \$21,910,068.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	10-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>187 982 99</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	168 565 65
Uninsured and Uncollateralized	<u>19 417 34</u>
Total Deposits	<u>187 982 99</u>

The Township of Posen did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	14 047 00	-	-	14 047 00
Buildings	185 000 00	-	-	185 000 00
Equipment	7 000 00	-	-	7 000 00
Total	206 047 00	-	-	206 047 00
Accumulated Depreciation	(96 972 92)	(4 169 80)	-	(101 142 72)
Net Capital Assets	<u>109 074 08</u>	<u>(4 169 80)</u>	<u>-</u>	<u>104 904 28</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$2,908.72.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Posen does not issue building permits. Building permits are issued by the County of Presque Isle.

TOWNSHIP OF POSEN
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	5 260 58	Current Tax Collection	5 260 58
Total	<u>5 260 58</u>	Total	<u>5 260 58</u>

Note 10 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
Bonds payable	55 000 00	-	10 000 00	45 000 00
Totals	<u>55 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>45 000 00</u>

Note 11 – Bonds Payable

On August 2, 1982, the Township issued bonds in the amount of \$195,000.00 for the purpose of paying part of the cost of acquiring, renovating, furnishing, and equipping a Township hall. The bonds bear interest at the rate of 5% per annum, payable semiannually on April 1 and October 1 of each year. Bonds outstanding as of March 31, 2008 are as follows:

<u>Due April 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2009	5.0	11 000 00
2010	5.0	11 000 00
2011	5.0	12 000 00
2012	5.0	<u>11 000 00</u>
Total		<u>45 000 00</u>

TOWNSHIP OF POSEN
Presque Isle County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	15 000 00	15 000 00	21 943 01	6 943 01
State revenue sharing	40 000 00	40 000 00	48 087 56	8 087 56
Charges for services:				
Tax collection fees	3 000 00	3 000 00	5 601 27	2 601 27
Interest	1 675 00	1 675 00	1 538 42	(136 58)
Rents	19 000 00	19 000 00	19 825 00	825 00
Miscellaneous	<u>500 00</u>	<u>500 00</u>	<u>1 671 51</u>	<u>1 171 51</u>
Total revenues	<u>79 175 00</u>	<u>79 175 00</u>	<u>98 666 77</u>	<u>19 491 77</u>
Expenditures:				
Legislative:				
Township Board	10 010 00	10 210 00	7 307 41	(2 902 59)
General government:				
Supervisor	4 675 00	4 675 00	4 665 84	(9 16)
Elections	2 975 00	2 975 00	1 261 13	(1 713 87)
Assessor	3 500 00	3 500 00	3 466 76	(33 24)
Clerk	5 380 00	5 380 00	5 278 80	(101 20)
Board of Review	1 000 00	1 600 00	1 573 00	(27 00)
Treasurer	6 060 00	6 060 00	5 453 04	(606 96)
Building and grounds	47 550 00	43 575 00	34 293 69	(9 281 31)
Unallocated	10 570 00	10 595 00	8 519 99	(2 075 01)
Public safety:				
Fire protection	13 500 00	16 500 00	16 456 45	(43 55)
Ambulance	500 00	500 00	-	(500 00)
Public works:				
Highways and streets	5 000 00	5 000 00	2 000 00	(3 000 00)
Street lighting	1 450 00	1 550 00	1 504 90	(45 10)
Culture and recreation:				
Recreation	<u>-</u>	<u>50 00</u>	<u>35 00</u>	<u>(15 00)</u>
Total expenditures	<u>112 170 00</u>	<u>112 170 00</u>	<u>91 816 01</u>	<u>(20 353 99)</u>
Excess (deficiency) of revenues over expenditures	(32 995 00)	(32 995 00)	6 850 76	39 845 76
Fund balance, April 1	<u>32 995 00</u>	<u>32 995 00</u>	<u>174 022 80</u>	<u>141 027 80</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>180 873 56</u>	<u>180 873 56</u>

TOWNSHIP OF POSEN
Presque Isle County, Michigan

BUDGETARY COMPARISON SCHEDULE –DEBT SERVICE FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	10 000 00	10 000 00	10 970 05	970 05
Interest	<u>180 00</u>	<u>180 00</u>	<u>149 45</u>	<u>(30 55)</u>
Total revenues	<u>10 180 00</u>	<u>10 180 00</u>	<u>11 119 50</u>	<u>939 50</u>
Expenditures:				
Debt Service	<u>9 750 00</u>	<u>54 750 00</u>	<u>12 750 00</u>	<u>(42 000 00)</u>
Total expenditures	<u>9 750 00</u>	<u>54 750 00</u>	<u>12 750 00</u>	<u>(42 000 00)</u>
Excess (deficiency) of revenues over expenditures	430 00	(44 570 00)	(1 630 50)	42 939 50
Fund balance, April 1	<u>-</u>	<u>44 570 00</u>	<u>11 663 92</u>	<u>(32 906 08)</u>
Fund Balance, March 31	<u><u>430 00</u></u>	<u><u>-</u></u>	<u><u>10 033 42</u></u>	<u><u>10 033 42</u></u>

TOWNSHIP OF POSEN
Presque Isle County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries and per diem	4 455 60
Supplies	1 993 47
Dues	858 34
	<u>7 307 41</u>
Supervisor:	
Salary	4 665 84
	<u>4 665 84</u>
Elections:	
Wages	1 164 50
Supplies	96 63
	<u>1 261 13</u>
Assessor:	
Wages	3 351 76
Miscellaneous	115 00
	<u>3 466 76</u>
Clerk:	
Salary	5 278 80
	<u>5 278 80</u>
Board of Review:	
Wages	1 573 00
	<u>1 573 00</u>
Treasurer:	
Salary	5 453 04
	<u>5 453 04</u>
Building and grounds:	
Wages	5 439 00
Contracted services	6 246 70
Supplies	1 113 90
Insurance	7 555 00
Telephone	1 725 13
Utilities	10 864 29
Repairs and maintenance	960 92
Printing	388 75
	<u>34 293 69</u>
Unallocated:	
Pension plan	2 908 72
Mileage	175 88
Insurance	674 00
Payroll taxes	353 85
Computer	1 399 20
Miscellaneous	3 008 34
	<u>8 519 99</u>
Fire protection:	
Contracted services	16 456 45
	<u>16 456 45</u>
Highways and streets:	
Repairs and maintenance	2 000 00
	<u>2 000 00</u>
Street lighting:	
Utilities	1 504 90
	<u>1 504 90</u>
Recreation:	
Recreation	35 00
	<u>35 00</u>
Total Expenditures	<u>91 816 01</u>

TOWNSHIP OF POSEN
Presque Isle County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in bank	2 760 84	538 783 73	536 283 99	5 260 58
Total Assets	<u>2 760 84</u>	<u>538 783 73</u>	<u>536 283 99</u>	<u>5 260 58</u>
<u>Liabilities</u>				
Due to other funds	2 760 84	39 684 35	37 184 61	5 260 58
Due to other units	-	499 099 38	499 099 38	-
Total Liabilities	<u>2 760 84</u>	<u>538 783 73</u>	<u>536 283 99</u>	<u>5 260 58</u>

TOWNSHIP OF POSEN
Presque Isle County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2008

Cash on hand and in bank – beginning of year	<u>2 760 84</u>
Cash receipts:	
Property tax	<u>538 783 73</u>
Total cash receipts	<u>538 783 73</u>
Total beginning balance and cash receipts	<u>541 544 57</u>
Cash disbursements:	
Township General Fund	25 859 84
Township Debt Service Fund	11 324 77
Presque Isle County	331 463 41
Posen Area School District	165 096 50
Refunds	<u>2 539 47</u>
Total cash disbursements	<u>536 283 99</u>
Cash on Hand and in Bank – End of Year	<u><u>5 260 58</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 21, 2008

To the Township Board
Township of Posen
Presque Isle County, Michigan

We have audited the financial statements of the Township of Posen for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Posen in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Posen
Presque Isle County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants